



**North Carolina Department of Health and Human Services  
Division of Mental Health, Developmental Disabilities and Substance Abuse Services**

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Michael F. Easley, Governor  
Carmen Hooker Odom, Secretary

Richard J. Visingardi, Ph.D., Director

November 6, 2003

**MEMORANDUM**

TO: Area Directors  
Area Finance Officers  
County Finance Officers

FROM: Leza Wainwright, Team Leader  
Budget & Finance Team

SUBJECT: CTSP and MR/MI Restricted Fund Balances

It is the Division's intent to reconcile the restricted fund balances that have been required for many years for the Comprehensive Treatment Services Program (CTSP, formerly At-Risk Children and *Willie M.*) and Mental Retardation/Mental Illness (MR/MI, formerly *Thomas S.*) funds and to then discontinue the requirement to maintain restricted fund balances for those programs. With the end of the lawsuits that gave rise to those designated funding sources, DMH/DD/SAS system reform efforts, and the implementation of target population groups, there is no reason to continue to treat these funds differently.

We will use the Tentative Settlement Reports (TSR) for the State Fiscal Year ended June 30, 2002 as the basis for the reconciliation. There are currently nine (9) TSRs that have not been finalized. The information for the twenty-eight (28) reports that are complete indicates a combined CTSP and MR/MI negative fund balance of (\$8,621,697). This number may lessen somewhat when the outstanding TSRs are included, but we do not believe that the statewide balance will reach a positive level in the aggregate.

We have discussed the process for reconciliation with the Management Systems Work Group of the N.C. Council of Community Programs. The process designed by the Management Systems Work Group, which has been approved by DHHS and the Office of State Budget and Management, is as follows:

1. Area Programs with positive fund balances in the aggregate (CTSP plus MR/MI) will retain fund balances up to a level of eight percent (8%) of the combined CTSP and MR/MI budgets for SFY 2002.
2. Aggregate positive fund balance amounts in excess of eight percent (8%) of the combined CTSP and MR/MI budgets for SFY 2002 will be refunded to the Division.
3. If the amount to be retained will cause an area program's overall unrestricted fund balance as of June 30, 2002 to exceed fifteen percent (15%) when unrestricted, the Division will work with the area program on an individual basis to determine the amount to be refunded.
4. The Division will redistribute the amount refunded to the Area Programs with overall negative fund balances in a ratio of their negative balance to the overall negative balance. There will be insufficient



funds to bring any negative balance to \$0, but this method will spread the excess proportionately to those area programs with the greatest deficits.

5. When all refunds and redistributions have been completed, the remaining balance in each fund balance account – positive or negative – will be unrestricted and the amounts added to or subtracted from the general unrestricted fund balance of the area program or county.

We hope that the few remaining SFY 2002 TSRs will be completed soon and that the CTSP and MR/MI fund balance reconciliation process can be finalized during November 2003. In the meantime, however, since we will be reconciling and unrestricting the fund balances at the SFY 2002 amount, it is not necessary for your local auditor to compute any changes in the fund balances as a result of operations during SFY 2002-2003. Similarly, when the SFY 2003 TSR cycle begins, the Regional Accountants will no longer have to compute the fund balance individually for these programs.

Please feel free to contact me if you have any questions.

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